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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 FRB-03 COME-00 CIAE-00
INR-10 NSAE-00 NSC-05 CEA-01 OMB-01 SS-15 SP-02
STR-07 XMB-02 AID-05 USIA-06 PA-01 OPIC-03 /082 W
----------018260 090652Z /23
R 081612Z MAR 78
FM AMEMBASSY PARIS
TO DEPARTMENT OF TREASURY
SECSTATE WASHDC 8317

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FOR STATE: PASS EB/EUR AND FEDERAL RESERVE

E. O. 11652: N/A
TAGS: EFIN, FR
SUBJECT: PARIS GOLD MARKET

1. VOLUME OF TRANSACTIONS ON PARIS GOLD MARKET HAS BEEN ABOUT THREE TIMES NORMAL FOR SOME WEEKS AND REACHED OVER 26 MILLION FRANCS YESTERDAY, MARCH 7.

2. GOLD PURCHASES IN FRANCE ARE ANONYMOUS AND A FAVORITE FORM OF SAVINGS BOTH FOR TAX REASONS AND BECAUSE OF MISTRUST IN VALUE OF FRANC. WITH THE POSSIBILITY OF A VICTORY BY THE LEFT, BOTH MOTIVES NO DOUBT EXPLAIN RISE IN GOLD PURCHASES.

3. WHILE MARKET SOURCES INDICATE SOME FRENCH GOLD PURCHASES IN LONDON, THERE IS NOT A SIGNIFICANT ELEMENT OF CAPITAL FLIGHT IN CURRENT GOLD PURCHASES. THEY DO REFLECT INTERNAL MOVEMENT OUT OF FRANCS INTO OTHER ASSETS, INCLUDING AS REPORTED EARLIER JEWELRY, ART, OTHER LUXURY GOODS, PRIME REAL ESTATE, ETC., AS WELL AS GOLD, ALL OF WHICH CAN BE DISGUISED IN VARIOUS WAYS
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FOR TAX PURPOSES AND RESOLD AS BASICALLY ANONYMOUS TRANS-ACTIONS. THIS NO DOUBT REFLECTS A DEGREE OF ANXIETY ON THE PART OF UPPER INCOME FRENCH CITIZENS WHO FACE THE POSSIBILITY OF HIGHER TAXES, INCLUDING WEALTH TAXES IN ONE FORM OR ANOTHER IF THE LEFT FORMS A GOVERNMENT. ON BALANCE, IT SEEMS THE FEAR OF FISCAL CHANGES IS THE MOST IMPORTANT ELEMENT BEHIND THE RECENT HIGH LEVEL OF

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GOLD SALES IN PARIS.
HARTMAN

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Message Attributes

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Disposition Case Number: n/a
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